

MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
MONDAY, FEBRUARY 2, 2:00 P.M.
Room W020, House Building, State Capitol Complex

Members Present: Sen. John Valentine, Co-Chair
Rep. Kory M. Holdaway, Co-Chair
Sen. Gregory S. Bell
Sen. Ross I. Romero
Rep. Trisha S. Beck
Rep. Melvin R. Brown
Rep. Bradley M. Daw
Rep. Kay L. McIff
Rep. Carol Spackman Moss
Rep. Evan J. Vickers
Rep. C. Brent Wallis
Rep. R. Curt Webb
Rep. Mark A. Wheatley

Members Absent: Sen. Stephen H. Urquhart

Staff Present: Spencer Pratt, Fiscal Manager
Patrick Lee, Legislative Fiscal Analyst
Lorna Wells, Secretary

Public Speakers Present: Michael Peterson, Executive Director, Utah Education Network
Patrick McDermott, San Juan School District
Laura Hunter, Eccles Broadcast Center
Shannon Williams, Special Education Teacher, Nebo School District
Dr. David Squire, Executive Director, Medical Education Council
Commissioner William A. Sederburg, State Board of Regents
Associate Commissioner David Buhler
Regent Bonnie Jean Beesley, Vice Chair, Utah Board of Regents
Regent Marlon O. Snow, Utah Board of Regents
President Michael Benson, Southern Utah University
President Michael King, Interim President, College of Eastern Utah
President Elizabeth Hitch, Interim President Utah Valley University
Joseph Watkins, UVU Studentbody President

A list of visitors and a copy of handouts are filed with the committee minutes.

1. Call to Order—Committee Co-Chair Valentine called the meeting to order at 2:10 p.m.

MOTION: Rep. Daw made the motion to approve the minutes of 1/28/2009.

The motion carried unanimously.

2. Utah Education Network-Legislative Fiscal Analyst. Mr. Lee discussed the UEN Budget Brief, which is under Tab 17 of the binder. This budget brief is for the 2009 fiscal year. The mission of UEN is to provide the citizens of Utah access to the highest quality, most effective instructional

experiences, administrative support services, library services, student services, and teacher resources regardless of location or time. State funds are included in the budget brief, federal funds are not included. This brief includes the General Session 2008 Appropriated Base Budget of \$22,481,900; the September 2008 Special Session budget cut of \$900,000, the January 2009 reduction of \$1,618,600; the January 2009 one-time backfill of \$710,500; and the net reduction of \$908,100. UEN would likely lose matching E-Rate federal funds of \$400,000.

There were four building blocks funded for the FY 2009 budget. For three of these four building blocks, funds had been utilized prior to the September special session: Network Backbone Enhancement, University of Utah Content Management System, and Disaster Recovery Efforts at Richfield Data Center. The fourth building block, Elementary and Charter School Connectivity Upgrade initiative was funded by the Legislature for \$1.2 million. This included \$500,000 one-time funds and \$700,000 ongoing funds. It was reduced by \$500,000 as a result of the Special Session budget reduction. This reduction also affected UEN's Personal Services by 3.0 FTE and cut into current expense, administration and equipment upgrades. Further reductions would include a loss of approximately 8.0 FTE, elimination of some leased redundant circuits on the UEN backbone, and further curtailing the expansion of the elementary and charter school upgrade project.

Mr. Lee also discussed the Issue Brief. This is Tab #3 in the binder. Elementary, Charter School Internet Upgrades Issue Brief. This Issue Brief is a follow-up of the Elementary, Charter School Internet Upgrades. This brief outlines the progress of the upgrades. At the beginning of the 2008 General Session, approximately 250 of the 500 elementary schools and 4 of the 58 charter schools were equipped with high-speed internet connectivity. The other schools were supported with T1 lines that cannot support the current electronic needs of the schools. It was much more expensive for the local schools to obtain these connectivity upgrades than UEN. UEN intended to upgrade approximately 150 elementary schools and 20 charter schools with the \$1.2 million funded by the Legislature. UEN was also able to leverage \$1.4 million federal E-Rate funds. However, reductions taken in the 2008 Special Session have delayed this connectivity. Mr. Lee showed a table which shows the unfunded circuit charges, the upgrades to be completed, the funded FY 2009 projects, and the circuit upgrades that have been completed.

Rep. Holdaway asked how many charter schools are secondary-supported schools.

Rep. Holdaway asked if the testing requirements in the elementary schools require computerized testing.

Mr. Lee replied that statutorily the schools are not legally bound right now, but this will likely happen in the future.

Rep. Holdaway remarked that Public Ed does not contribute funding toward UEN. Public Ed should be participating in the cost of UEN. The Uniform School Fund is now constitutionally allowed for Higher Ed access.

Mr. Lee reported that he will be making this Issue Brief in the Public Ed. Appropriations Subcommittee meeting as well. He will report this issue to them.

Sen. Valentine wondered if we could bond for the remainder of the build out. This may not be possible because there is no asset that is owned by the state because UEN only leases the circuit.

Agency Response - Michael Peterson, Executive Director UEN. Dr. Peterson reported that the chart does show the progress of the upgrades. He also answered Rep. Holdaway's question that 21 charter schools have secondary students.

Rep. Holdaway asked if the 21 charter schools were looked at first when network capacity was provided.

Mr. Peterson responded that the 21 charter schools were identified as the highest priority. There was a total of 105 projects intended for this year. Because this is a high priority for the school districts, they are prepared to cover two-thirds of the on-going circuit charges in order to complete these projects this year. This is a cooperative effort between UEN and the school districts.

Rep. Moss asked for clarification on the chart.

Mr. Petersen gave a presentation entitled, "How we can save money in economic times." Education and Government must do more with less; UEN is a solution to do that. He showed a graph showing connections that are working; UEN internet connections were at 85 percent connectivity during the inauguration. In July UEN can double connectivity without increasing the cost. UEN has a statewide impact on public education. Mr. Petersen introduced several people in the audience.

Patrick McDermott explained how the San Juan school district in using UEN. They want to offer more advanced classes to their students; but they have five very small high schools. They aren't able to address these needs with the current status. They have been working with UEN to involve high school students at all schools in San Juan County. UEN has helped bring in resources to the San Juan school district.

UEN has entered a contract with a web conferencing tool called WIMBA. Laura Hunter was at the Eccles Broadcast Center and demonstrated the capabilities of this program.

Shannon Williams explained how she uses WIMBA. Parents can access parent meetings, teachers can help children who cannot attend school regularly. Money could be saved in homebound services if students could access their classes on line.

Rep. Beck asked where WIMBA is now available.

Mr. Petersen said that this is available statewide for teachers, students and parents; schools need to have a computer and internet connection. The State Office of Education has estimated that if they were to utilize this service they could save \$80,000 in travel costs, and \$130,000 in productivity costs. UEN is working with UCAT to install interactive video conferencing meeting rooms at their campuses. UCAT will save \$61,000 per year in travel costs, and recover \$200,000 in productivity increases.

The State Office of Rehabilitation has worked with UEN to install video conferencing. This year alone, they are saving \$250,000 in travel costs; they will recover \$310,000 in productivity increases. The video conferencing services at the Department of Technology Services are now obsolete. DTS provides the IT services for the whole state. Instead of building a new system and duplicating services DTS can take advantage of UEN's capabilities. They are working with the Department of Workforce Services and the State Court System. UEN can substantially reduce bandwidth costs. There is a tariff rate to transmit data to Salt Lake City. UEN doesn't pay the tariff rate, nor the extra

mileage costs. UEN is paying approximately \$1.00 per minute for a gigabit bandwidth, when the court system might be paying \$500. For example, Granite School District would save \$7 million a year by using the UEN connection. It takes Summit County the entire weekend to backup their data; if they tied in to UEN, they could do it in a matter of minutes.

Rep. McIff asked if UEN has had conversation with the courts about connection in Kanab

Mr. Peterson said that UEN is in all of the schools in Kanab, so they could provide the courts with this service by just crossing the street.

3. Utah Medical Education Council-Legislative Fiscal Analyst. Mr. Lee explained that the Utah Medical Education Council evaluates current and future health care needs, stabilizes funding for training, and establishes policies to achieve a viable healthcare workforce. The UMEC works closely with the healthcare industry and colleges and universities with medical education programs.

Mr. Lee discussed the Budget Brief listed under Tab 18 in the binder. In the 2008 General Session, the MEC received additional funding from the Legislature of \$220,000 ongoing General Funds. This increase was due to a potential loss of Dedicated Credits funding through changes in Medicaid funding rules. This increase brought the MEC state funds appropriation to \$701,500 beginning in FY 2009. During the 2008 Special Session, the MEC budget was reduced by \$28,000. Recent EAC action taken on January 30, 2009, recommended a further ongoing reduction to the MEC of \$50,500. This further reduction will lead to a loss of 1.0 FTE for the MEC. These reductions represent a total decrease of 11.2% to its operating budget.

Mr. Lee also discussed the Issue Brief which is Tab 3 of the binder, Rural Residency Training Program. This is a key component of the work done by the Medical Education Council. The Rural Residency Training Program is designed to promote physician practice, including medicine and dentistry, in rural areas of the state. The purpose is to create opportunities for graduate medical education that will attract medical school graduates to serve in rural areas of Utah. There are three tracks involved in this training program. In the 2005 General Session, the Legislature authorized \$300,000 ongoing from the General Fund to the MEC for this program. Mr. Lee explained the FY 2008 expenditures of \$345,000. For FY 2009 they are establishing more residency opportunities for training residents in the rural areas.

Agency Response - David Squire, Executive Director of UMEC. Mr. Squire reported that the appropriated budget for the UMEC is \$1.4 million. In 2002 UMEC entered into a joint venture or operating agreement with the Utah Department of Health to leverage funding that was received within the provider community to increase Medicaid funding for graduate medical education training. That funding brought in \$26 million to the State to help offset the cost of graduate medical education and to increase the number of interns and residents that are trained in this State. These dollars continue to come to the state annually. This money is under the jurisdiction of the Health and Human Services Appropriations Committee. The UMEC manages the criteria under which these dollars flow directly to the hospital for training in graduate medical education.

Rep. Holdaway asked what the status of the funding is right now in the Appropriation Committee. Mr. Lee will determine the status of this funding.

Rep. McIff asked if there is a defined criteria for how the UMEC qualifies for these funds.

Mr. Squire explained that the funds are defined by federal statute. They were challenged to be cut under the Bush administration. It was determined by the courts that it would be inappropriate to cut this funding under the method that was proposed. The UMEC does not know what will happen with the current Obama administration. The understanding at this point is that the funds will still be available.

In FY 2002 the UMEC entered into a demonstration project with the Centers for Medicare and Medicaid Services for \$8 million to come to Utah for graduate medical education. These dollars come to the hospital for rendering services to Medicare patients. They cannot be appropriated by the State of Utah. In 2004 UMEC entered into an operating agreement with the medical industry to provide an additional \$3 million for the training of interns and resident doctors in Utah to increase the number of doctors that were being trained by an additional 60. Of the \$1.4 million appropriated by this Subcommittee, last year the UMEC had Dedicated credits diminish in the amount of slightly over \$350,000. The appropriation helped offset those losses. There are two main budget items; one is used to administer the council which is in the amount of about \$320,000 and the balance goes toward graduate medical training.

There are about 170 doctors per 100,000 population in the State. Nationwide that number is between 230-250 doctors. Utah is on the low range of the number of doctors needed to provide services to citizens. Utah needs about 300 doctors every year entering the workforce; only about 50 are trained here. Utah is in the low end of numbers of physicians assistants and pharmacists. In the past, Utah has been slightly above the national average for the number of dentists. But this past year, Utah fell below the national average for the number of dentists. This causes great concern especially as the number of uninsured individuals continues to rise. It is also important to consider these numbers as policies are developed within the state regarding health care. Unless the projected needs can be assessed, reforms become very damaging to the health care workforce. It is also necessary to examine and determine the access to quality health care in the State. This is particularly true when the population of Utah continues to rise with both a large birth rate and a growing senior population. Senior citizens utilize the health care system twice as much as younger individuals. It is also important to look at financial incentives so that the trained individuals can be retained. It is necessary to identify which training sites will be capable of rendering didactical and clinical training. The UMEC asks to be involved in committees and task forces that are looking at these issues.

Rep. Holdaway asked that due to the poor economic times, how important is the rural work? Is this an essential part of education, or would it be possible for private industry to train individuals?

Mr. Squire answered that since UMEC has been in existence, the number of residents and interns has grown over 40 percent in the past four years. Utah is one of the only states in the nation that has increased the number of interns. If this is turned over to private industry they will train specialists to render health care in the hospitals; but they would not train generalists to render health care in clinics, or in rural areas.

Within five years, general care would have minimal access in rural areas, therefore, expensive specialists would be the providers of health care.

Sen. Valentine asked how many federal funds are realized for every dollar of local funds?

Mr. Squire said this is about 3 to 1.

4. Utah System of Higher Education – Operations and Maintenance. Mr. Pratt distributed a copy of the recent EAC actions, which were approved by the House and the Senate today. Mr. Pratt explained how H.B. 3 affects the budgets for Higher Education. In total, H.B. 3 removed \$59,227,900 in ongoing funding and restored on a one-time basis \$30,488,300 for the 2009 FY. The 2nd Revised Base Budget is \$752,680,900 and one-time is \$33,552,100. The FY 2010 Base would be \$752,680,900. The other sheet distributed shows the Final FY 2009 ongoing and one-time budget per institution, and also the percentage of the original budget. These percentages range from 45 percent to 91 percent

Sen. Valentine mentioned that this Subcommittee worked very hard to restore some of the funding that was cut for the 2009 FY. The Subcommittee should be recognized for its efforts.

Rep. McIlff asked how close to 89% is the overall budget ?

Mr. Pratt said it is very close to 89% of the total budget.

Mr. Pratt discussed the Issue Brief, USHE New Facilities O & M. This is under Tab 3 in the binder. Mr. Pratt explained that Operations and Maintenance includes heating, lighting, and maintenance of buildings. Mr. Pratt specifically pointed out that Page 3 shows all of the non-state funded projects that will be coming on line for which Higher Education is requesting O & M funding. Mr. Pratt listed the institutions and their O & M requests. The total that has been identified for FY 2010 is just over \$2 million. Almost \$500,000 would not be needed in 2010. The analyst would recommend that the \$2 million be reduced on a one-time basis by \$478,600. The institutions have requested \$609,700 in Supplemental funding for FY 2009. These are buildings that have been funded through private donations, not from state appropriated funds. Page 4 shows two buildings that were funded with state dollars and funding was approved for O & M at the same time. Those were included in their budgets as ongoing, then each year until the building comes on line, this is reduced on a one-time basis. Last year the Legislature approved a one-time reduction of \$452,200 for the Snow College Library of O & M. Based on the completion date of March 1, 2010, the analyst is recommending a one-time FY 2010 reduction of \$301,500. The analyst recommends a one time FY 2010 reduction of the full amount of \$1,125,000 for the Utah Museum of Natural History at the University of Utah as it will not be completed until December of 2010. The total one-time reduction of O & M would be \$1,426,500.

Rep. Holdaway mentioned an earlier discussion to have Capital Facilities take over the O & M costs of these buildings as they come on line. He asked Mr. Pratt to explain the status of that discussion.

Mr. Pratt said that the Capital Facilities Appropriations Subcommittee approves both state-funded and non-state-funded buildings. If they are state-funded buildings, the Legislature recognizes the O & M costs and includes it in the appropriation when the building is approved. For non-state-funded buildings, those are approved by the Legislature, but the O & M funding is not included. This is because many of these buildings are built with a promise that the donor will come through with funds, but sometimes the funds might not come through in a timely manner. Often there are multiple donors that will contribute if other donors are found, so there is not a definite time line for construction.

Rep. Holdaway recalled this Subcommittee sent a letter to the Capital Facilities Appropriations Subcommittee asking them to consider the O & M costs associated with these non-state-funded buildings.

Mr. Pratt said the Capital Facilities Appropriations Subcommittee did not respond to this letter.

Rep. McIff said that the controlling issue is not whether they were or were not funded by the state, but whether the building serves a Higher Education need. Higher Education has been the benefactor of many buildings nationwide.

Rep. Holdaway agreed that Higher Ed. is grateful for the donations of these buildings, but there are costs related to the O & M buildings. He mentioned that this is also a consistency issue. If O & M is considered for state-funded buildings, it should be considered for non-state-funded buildings as well.

Sen. Valentine mentioned that there is not consistency. If a new building is for Health and Human Services, the building comes out of their budget, but not the O & M. If Higher Ed. has a new building, the O & M comes out of the Higher Ed. budget, this is not consistent.

Rep. McIff said that because of individual allegiance to Higher Education institutions, the institutions are often the benefactor of donations. This isn't necessarily true in other arenas.

Sen. Bell agreed that generosity of benefactors and patrons of the university is welcomed. However, it must be remembered that these large buildings are expensive to maintain. The intent was to make sure that institutions are aware that if they accept a gift, the institution was to make provisions for the O & M.

Report from Commissioner's Office -Commissioner Sederburg and Associate Commissioner Buhler thanked the Subcommittee members for their hard work with EAC. It is a very positive thing to have one-time funds restored. Commissioner Sederburg introduced Regent Beesley and Regent Snow.

Regent Beesley thanked the Subcommittee for dealing with the difficulties of the day. The Regents believe that Higher Education is part of the solution. As the current budget situation is examined, will Utah be among the states whose citizens are well-educated with self-sustaining jobs? Higher Education must be used as a tool to relieve the economic situation.

Regent Snow pointed out that when institutions have increases in enrollment and then take a budget cut this doubles or triples the effect. He thanked the Subcommittee for working to preserve as many dollars as possible. He also said that it is a difficult time to find major donors.

Mr. Buhler said when an institution recognizes a need for a new building, the President goes to the Board of Regents explaining that it is a needed facility. It next goes to the Legislature to approve the building. At that time, Capital Facilities identifies which space qualifies for funding. Once the building is built, the O & M is utilized, as it was funded up front. This has not happened on the non-state funded projects; it might be a timing issue, because it is often not known when these non-state-funded buildings will receive all of the necessary donations to begin construction.

Rep. Holdaway asked what would happen if the O & M costs of donated buildings were moved to Capital Facilities. It would be better to know that these buildings are in process.

Associate Commissioner Buhler replied that the major difference would be that there would be multiple years where there would be a negative appropriation on a one-time basis.

Commissioner Sederburg reported that for the last ten years, the state has invested over \$540 million in new facilities for Higher Education; private money has been more than \$700 million. O & M

money is critical in keeping the momentum going forward. The Board of Regents encouraged Presidents to find funding O & M. It is very difficult for presidents to convince donors to fund O & M.

Sen. Valentine said that this would require a donor to set up an endowment.

MOTION: Rep. Holdaway made the motion that a letter be drafted and sent to the Capital Facilities Subcommittee and also to the Legislative Management Committee detailing the concerns related to on-going O & M costs being funded by this committee for buildings that are approved.

The motion passed unanimously.

5. Legislative Fiscal Analyst. - Mr. Pratt will defer his part on the agenda. Due to the changes made by the EAC last Friday regarding the FY 2009 budget, the Fiscal office is not prepared with Budget Briefs at this time.
6. Southern Utah University - President Benson thanked the Subcommittee for its advocacy. He said that SUU is trying to establish the reputation that it is one of the best valued colleges. SUU has a private school feeling at a public school price. SUU has a three-point mission: a comprehensive high-quality bachelor and master's degree granting university, a residential learning campus experience; and a regional university meeting economic and development needs of the area.

SUU has had significant growth for five years. Pres. Benson explained where budget cuts were made including many student jobs that were cut, he reported that everything is on the table for budget cuts. SUU is the largest employer in Iron County.

Rep. Holdaway thanked Pres. Benson for his presentation.

Rep. Beck asked if the increase in students is related to the economy.

Pres. Benson mentioned that while this often happens for urban campuses when students can live at home, it is less of a factor at an institution like SUU.

Rep. Vickers reported that he interacts with many SUU students every week. He has noticed that there are fewer students with jobs on campus.

7. College of Eastern Utah – Interim Pres. King thanked the Subcommittee for the work it did with the EAC. The College of Eastern Utah is a community college that has been in operation for 70 years. It has two campuses (Price and Blanding) which serve over 2000 students. CEU serves one of the most rural areas with over 18,000 square miles. Most of the students come from Carbon, Emery, Grand, and San Juan counties. They have credit courses and non-credit courses. The enrollment numbers don't include non-credit courses. This would be about 130-140 FTE per year; about 18 percent of the students are minorities. The school age population in this area is decreasing somewhat
8. Utah Valley University - Interim President Hitch thanked the Subcommittee for university status and also for the library. She reported that the library is being utilized and has already had to increase the hours. UVU wants to be a premier university in the nation, with the goal of having students engaged at UVU.

Studentbody President Watkins expressed the excitement that is occurring at UVU. The student voter turnout was one of the highest in the nation. UVU students were engaged in volunteer work, they had over 67,000 hours of volunteer work being done. UVU has become more engaged with the Latino community and has had enrollment increase in this segment of the population.

UVU is focusing on the three "P's": People of Integrity, Professionally Competent, and stewards of the Place wherever they reside. This year UVU received Carnegie recognition, UVU is committed to student access, there are 2,800 new students this fall, there are more students who are better prepared for college. UVU has focused on retention of students, much of the growth is from students who stayed at UVU after their freshman year. UVU has focused on personalized, intentional advising of students. UVU is a great investment, with a \$6.32 returned for every dollar that is invested. UVU has a large percentage of students that stay in Utah after they graduate. UVU is meeting community needs; with the launching of three Master's Degree programs: Education, Nursing, and Business. UVU also has a large CTE program. UVU is one of the most efficient universities in the nation. However, the budget cuts with the increased growth has impacted the student advising ratio, and the adjunct faculty ratio.

Sen. Romero recognized the importance of the Latino growth at UVU, through diverse communities.

Rep. Holdaway reminded the Subcommittee that this growth should be a focus of the Higher Ed. system.

Rep. Daw commended Pres. Hitch and her staff on all they do. UVU is educating more students than it has in the past.

MOTION: Rep. Wallis moved to adjourn.

Committee Co-Chair Valentine adjourned the meeting at 5:00 p.m.

Minutes were reported by Lorna Wells, Secretary.

Sen. John Valentine, Committee Co-Chair

Rep. Kory M. Holdaway, Committee Co-Chair